

# MONTHLY REVENUE REPORT

## October 2008

Michigan's General Fund and School Aid Fund earmarked taxes generated \$3.1 billion in October 2008, which was up 10.7% from last year's level. Taxes that posted an increase in October included the income, insurance, State education, and oil and gas severance taxes. In addition, the combined collections from the repealed Single Business Tax (SBT) and the new Michigan Business Tax (MBT) were also up in October compared with last year's SBT revenue. Tax collections fell in October from last year's level for the sales, use, tobacco, real estate transfer, and casino taxes. Tax collections in October exceeded the monthly estimate by about \$50.0 million.

Even though FY 2007-08 ended on September 30, 2008, the tax revenue collected in October that became a liability before October 1, will be accrued back to FY 2007-08. These revenue accruals, along with other year-end accounting adjustments, are currently being calculated and final revenue for FY 2007-08 should be known during the first part of December. Based on cash collections from November 2007 to October 2008, the revenue generated from the General Fund and School Aid Fund earmarked taxes exceeded the May consensus revenue estimate by almost \$200.0 million. Of this amount, General Fund revenue is up about \$130.0 million and School Aid Fund revenue is up an estimated \$70.0 million.

Income tax revenue totaled \$624.9 million in October, which was up 6.4% from last year's level. Most, if not all, of this increase can be attributed to the increase in the tax rate. Gross income tax collections (withholding, quarterly, and annual payments) increased 7.2% to \$665.2 million in October, but some of this increase was offset by a 20.7% increase in refund payments to taxpayers. On a fiscal year-to-date basis, income tax revenue is up 12.7% from last year's level. Compared with the consensus revenue estimate, fiscal year-to-date income tax revenue is up about \$50.0 million.

Sales tax receipts totaled \$550.2 million in October, which was down 8.9% from the year-ago level. This decline was due to two major factors: 1) the weakening economy is depressing consumer and business spending, and 2) a noneconomic timing factor altered the typical monthly collection pattern and boosted sales tax collections in October 2007. October sales tax collections from dealer sales of new and used motor vehicles were essentially flat with the year-ago level, but sales tax collections derived from all other taxable retail sales were down 10.1%. Sales tax cash collections during FY 2007-08 were up 2.8% and exceeded the consensus estimate by about \$100.0 million.

Michigan Business Tax and Single Business Tax payments totaled \$452.5 million in October, which topped last year's SBT receipts by \$216.2 million or 91.5%. This large increase largely reflects a change in the due date of the quarterly tax payments under the new MBT compared with the repealed SBT, which is altering the monthly collection pattern. These business tax receipts through October are up about \$23.0 million from the consensus estimate for FY 2007-08.

State education tax revenue totaled \$1,139.7 million, which was up 17.1% from last year's level. Despite this large increase, State education tax revenue for FY 2007-08 is expected to be on target with the consensus revenue estimate.

Real estate transfer tax receipts totaled \$14.0 million, which was down 29.6% from the \$19.9 million collected one year ago. On a fiscal year-to-date basis, reflecting cash collections through October, real estate transfer tax revenue is down 26.3% from last year's level. Real estate transfer tax revenue is trailing the FY 2007-08 consensus revenue estimate by \$14.0 million.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for October 2008. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the May 16, 2008, Consensus Revenue Estimating Conference.



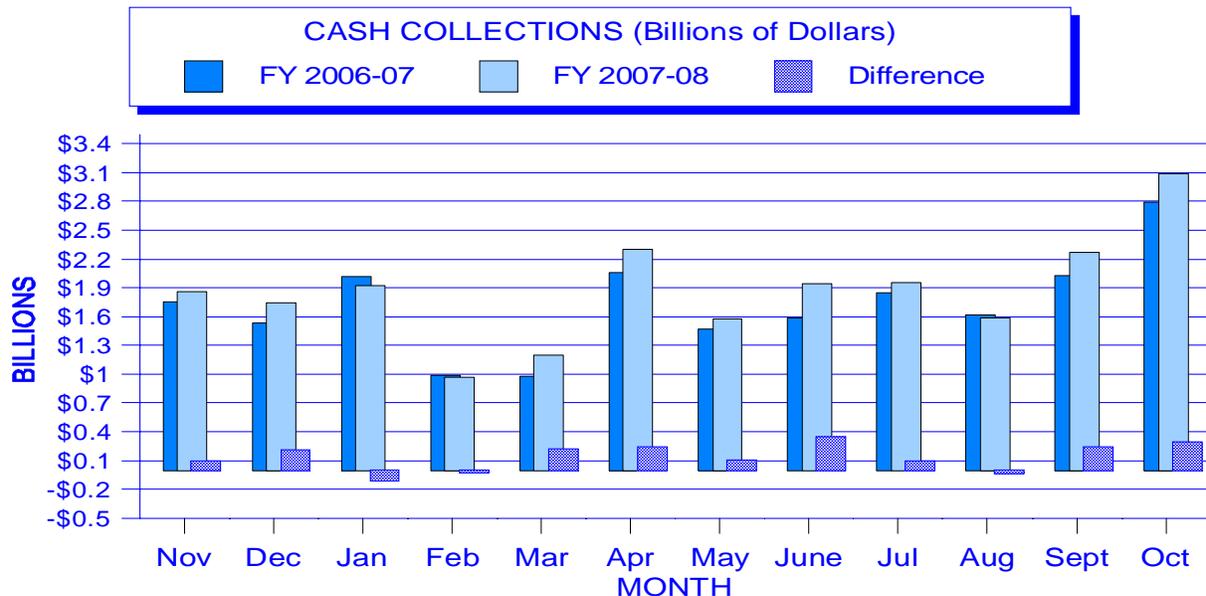
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**MICHIGAN REVENUE UPDATE  
OCTOBER 2008  
(dollars in millions)**

Type of Revenue	October Collections		FY 2007-08 to Date <sup>2)</sup>		FY 2007-08 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2006-07
Gross Income Tax	\$665.2	7.2%	\$9,046.2	10.9%	\$8,999.4	10.7%
Refunds	(40.3)	20.7	(1,772.6)	4.3	(1,825.5)	8.2
Net Income Tax	\$624.9	6.4%	\$7,273.6	12.7%	\$7,173.9	11.4%
Sales Tax	550.2	(8.9)	6,748.7	2.8	6,648.8	1.5
Motor Vehicles	67.7	1.0	746.5	1.9	---	---
All Other Sales Tax	482.5	(10.1)	6,002.2	2.9	---	---
Use Tax	111.0	(17.2)	1,366.9	(0.7)	1,338.0	(3.1)
Tobacco Taxes	88.9	(20.3)	1,073.1	(6.6)	1,081.0	(4.3)
Single Business Tax	8.5	(96.4)	714.7	(60.3)	560.6	(69.1)
Michigan Business Tax	444.0	---	1,857.4	---	1,816.3	---
Insurance Tax	53.5	68.8	245.6	13.2	244.0	9.0
State Education Property Tax	1,139.7	17.1	2,206.4	7.1	2,028.3	(2.5)
Real Estate Transfer Tax	14.0	(29.6)	175.4	(26.3)	189.0	(20.4)
Casino Wagering Tax <sup>4)</sup>	10.5	(23.4)	141.2	(18.4)	140.1	(12.1)
Oil & Gas Severance Tax	8.8	104.7	103.8	58.0	86.0	19.4
Other Taxes <sup>5)</sup>	37.0	(51.9)	401.3	(13.8)	377.5	(19.7)
<b>Total</b>	<b>\$3,091.0</b>	<b>10.7%</b>	<b>\$22,308.1</b>	<b>8.5%</b>	<b>\$21,683.5</b>	<b>5.4%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$205.7	16.1%	\$2,330.3	(0.5)%	\$2,212.0	(0.5)%
Net to School Aid Fund <sup>4)</sup>	\$ 66.5	15.3%	\$ 741.3	(0.6)%	\$ 749.2	0.0%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2008, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\*  
November 2006 to October 2008**



\*Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.